

# Memorandum

**TO:** BUILDING BETTER  
TRANSPORTATION COMMITTEE

**FROM:** James R. Helmer

**SUBJECT: PAVEMENT MAINTENANCE  
FUNDING ISSUES**

**DATE:** 11-29-04

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Approved

Date

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## **RECOMMENDATION**

Accept report on pavement maintenance funding issues and provide input on local transportation funding options.

## **BACKGROUND**

At the September 13, 2004 meeting of the Building Better Transportation Committee, staff presented information on the City's funding shortfall for local pavement maintenance seeking direction from the Committee on whether alternative funding sources should be explored. The Committee directed staff to report back during the Spring 2005 Committee Workplan cycle on all feasible funding alternatives. This current item, previously set for December 2004, was intended to explain the funding challenges and seek direction on exploring funding alternatives. That direction has been provided to staff and we are in the process of preparing that report for March 2005.

The City is facing a severe shortage of funding for street maintenance needs and unless corrected, Citywide pavement conditions are forecasted to decline significantly. The attached exhibit illustrates the history and status of street maintenance funding. In summary, the City's street system requires a \$30 million annual expenditure to maintain most streets in a "fair or better" condition. Current commitments for funding total only \$9 million annually (a \$21 million shortfall). The biggest change between past and current funding levels is associated with a sharp decline in funding from regional, state and federal sources.

As a consequence of past funding shortfalls, a backlog of deferred pavement maintenance needs is accumulating. Currently, the City has a backlog of streets warranted for resurfacing in the range of \$75 million and for reconstruction in the range of \$17 million. In total, the City has 2,300 miles of streets and approximately 20% are rated as being in "poor" condition. Based on the presently limited funding levels, 30% of the City's streets are projected to be in poor condition within 4 years.

## **ANALYSIS**

### **Current Federal/State/Regional Funding Options**

At all levels of government, the issue of funding deferred infrastructure maintenance is getting significant attention. Increasingly, funding policies are shifting the focus to “fix it first” as a priority to “system expansion”. The following is a summary of current federal, state and regional efforts to increase funding to cities for pavement maintenance.

- *Federal* – In anticipation of a new Federal transportation bill, the Metropolitan Transportation Commission has pre-committed future federal funds for local street pavement maintenance. The City is expecting to receive an amount of \$2.4 million in FY 2005-06 and \$4.2 million in FY 2006-07.
- *State* – The approval of Proposition 42 by State voters in March 2002 was intended in part to provide pavement maintenance funds to cities. The City of San José share is expected to be \$8 million annually starting in FY 2008-09. The related State Traffic Congestion Relief Program was intended to provide San José with \$2 million annually (through FY 2005-06), but these funds have been withheld due to the State budget impacts. Legislative efforts are being made to restore these funds.
- *Regional* - The Santa Clara Valley Transportation Authority (VTA) is considering a new Countywide transportation tax initiative. One scenario proposes a new permanent ½ cent sales tax of which 75% would be used for VTA projects and services and 25% would be allocated to cities for street maintenance and other transportation purposes. The estimated San Jose share of this funding is \$14 million annually. It is noted that in November 2004, county transportation sales tax measures were approved in other parts of the State that included significant allocations to cities: in Sacramento County the allocation was 30%; and in San Diego County the allocation was 33%.
- *Other Initiatives* – Various national, state and local transportation advocacy groups are also proposing efforts to increase transportation funding. Among the other funding sources that have been identified include: Utility Trench Cut Fee, Gas Tax Indexing/Increase, Vehicle Registration Fee, New Development Tax, Parking Surcharge, Vehicle Weight Fee, Road User/Mileage Fee.

### **New Local Transportation Funding Measure**

As noted above, numerous efforts are being made to increase transportation funding. However, it is not expected that these efforts will be sufficient or timely to address the City’s current backlog of deferred pavement maintenance needs. Further, the longer the delay, the more costly it is to rehabilitate the pavement condition.

As discussed with the BBT Committee at the September 13, 2004 meeting, it is suggested that the City consider various local funding measures to support the transportation system and potentially other City infrastructure needs.

City staff discussions on this topic have generated interest in a broad infrastructure improvement initiative that could include transportation, storm and sanitary sewer facilities, technology and affordable housing. Within the transportation area, the scope of improvements could include the following categories:

- Rehabilitation and Repair – Street resurfacing, street reconstruction, and curb/gutter repair
- Enhancement and Beautification – Curb ramps, street lighting, median landscaping, and underground utilities
- Safety and Efficiency – Traffic calming and traffic signal coordination
- Miscellaneous – Relinquishment of Capitol Expressway and Local State Routes (e.g., Route 82 and Route 130)

Staff is seeking input from the Committee on the scope of a potential local funding measure for transportation and other infrastructure that will be used to craft the report on funding alternatives for the Spring of 2005.

### **COORDINATION**

Preparation of this report was coordinated with the City Attorney's Office.

JAMES R. HELMER  
Director of Transportation

Attachment